

PT Adaro Energy Tbk's achieved 58.03 million tonnes of coal production in 2019 from our thermal and metallurgical coal assets, supported by solid customers' demand.



Adaro Energy Quarterly Activities Report Fourth Quarter of 2019

For the Three Months Ending Dec 31, 2019

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Highlights of the quarter:

- Adaro Energy delivered on operational guidance with 2019 coal production of 58.03 million tonnes (Mt), 7% higher compared to 2018 and higher than 2019 guidance of 54-56 Mt.
- Adaro Energy's blended strip ratio for the year was 4.69x, slightly higher than guidance of 4.56x.
- PT Tanjung Power Indonesia successfully commenced commercial operation of its second unit (100 MW) in December 2019, following the commercial operation of its first 100 MW unit in September 2019.
- Guidance for 2020 is as follow:
 - Production: 54 Mt-58 Mt
 - Strip ratio: 4.30x
 - Operational EBITDA: US\$900 million-US\$1.2 billion
 - Capex: US\$300 million-US\$400 million

REVIEW OF THERMAL COAL MARKET

The global seaborne thermal coal market in 2019 was faced with macro and industry challenges which pushed international coal prices to decline y-o-y. Slowing global economy, uncertainty over government policies, US-China trade tension, and lower LNG prices were among the factors that impinged on the market in 2019. Global manufacturing PMI ended at 50.1 - reflecting marginal expansion - as the market remained cautious of the lackluster global economy. Electricity demand and coal consumption of China and India have also been impacted. China's y-o-y power generation growth declined to 5.4% from 6.2% in 2018, with coastal provinces only growing by 3%, whereas India's 11M19 y-o-y coal-fired generation has dropped by 2.3%. In addition, coal prices have declined with average GlobalCoal Newcastle (gCN) price in 2019 dropping to US\$77.74 per tonne, reflecting a decline of 28% y-o-y.

Despite the price pressure, the global trade of seaborne thermal coal has increased beyond 1 billion tonnes. Demand for Indonesian sub-bituminous coal from Southeast Asian countries like Vietnam, Malaysia and the Philippines increased due to robust electricity demand along with the increase in new coal-fired power plants capacity. Demand from Indonesian domestic market has also increased significantly by 20%, with industrial sector as one of the greatest contributors to the domestic demand growth. Moreover, Indonesia's coal production reached a record 610 Mt in 2019 in response to the growing appetite towards Indonesian coal. We remain positive on the long-term fundamentals of coal market supported by the Southeast Asia and South Asia region as these regions pursue economic development and improve their power sector.

REVIEW OF METALLURGICAL COAL MARKET

The metallurgical coal market concluded 2019 with contrasting half-year price performance. Metallurgical coal prices of Premium Low Vol Hard Coking Coal (PLV HCC) contrasted between the two halves of the year, reaching an average of US\$204 per tonne in 1H19 and followed a downward trend in 2H19 closing at US\$136 per tonne. Average PLV HCC price in 2019 of US\$178 per tonne was 14% lower y-o-y.

Over 2019, China had released stimulus measures to abate the tepid global demand and invested heavily in infrastructure by increasing the transportation Fixed Asset Investment, including railways. These have helped to support a record year of crude steel production. At the same time, however, import restrictions were put in place which had led to metallurgical coal prices falling in the second half of the year.

REVIEW OF PT ADARO ENERGY TBK OPERATIONS

PT Adaro Energy Tbk (AE) delivered on 2019 operational targets for both production volume and strip ratio. AE produced 58.03 Mt of coal from PT Adaro Indonesia (AI), Balangan Coal Companies and Adaro MetCoal Companies (AMC), 7% higher compared to 2018 and higher than our 2019 production guidance of 54-56 Mt.

Overburden removal reached 272.09 million bank cubic meter (Mbcm), 1% lower y-o-y, and resulted in a blended actual strip ratio of 4.69x for 2019. The strip ratio result was slightly higher than our 2019 guidance of 4.56x. We were able to deliver on our operational guidance as a result of strong operations, strong output from our contractors, and favorable weather condition throughout the year.

Solid demand for our thermal and metallurgical coal products underpinned our 2019 sales achievement of 59.18 Mt, 9% higher year-over-year (y-o-y). The Southeast Asia region remained as our leading sales destination, constituting 42% of AE's sales in 2019.

AE's coal production in 4Q19 reached 13.91 Mt, 8% lower than 4Q18, to comply with the production plan of each coal mining subsidiary and coal sales in 4Q19 was 14.52 Mt, a 4% decrease from 4Q18. Overburden removal in 4Q19 reached 62.07 Mbcm, and resulted in a strip ratio of 4.46x, 10% and 3% lower compared to 4Q18.

	Units	4Q19	3Q19	4Q19 vs 3Q19	4Q18	4Q19 vs 4Q18	FY19	FY18	FY19 vs FY18
Coal Production	Mt	13.91	15.66	-11%	15.06	-8%	58.03	54.04	7%
Sales Volume	Mt	14.52	15.89	-9%	15.12	-4%	59.18	54.39	9%
Overburden Removal	Mbcm	62.07	82.54	-25%	69.19	-10%	272.09	273.55	-1%

Despite macro and industry challenges in 2019, demand for our coal remained solid. Customers continued to inquire for our Envirocoal product as they recognize and value the low pollutant content of the coal and the reliability of supply we provide. Sales to Southeast Asia, including Indonesia, constituted 42% of total sales volume in 2019. Our sales volume to Southeast Asia increased 14% y-o-y. Indonesia and Malaysia were our two biggest markets in Southeast Asia.

Meanwhile, East Asia made up 29% of sales, followed by India and China at 15% and 12%, respectively. This is in line with India's higher coal import in 2019. The following table shows the geographical breakdown of customers in 2019.

Geographic sales breakdown 2019	%
Southeast Asia	42%
East Asia*	29%
India	15%
China	12%
Others**	2%
Total	100%

* Excluding China.

** Others include Europe, New Zealand and Pakistan.

ADARO MINING

PT Adaro Indonesia (AI)

AI, our main coal mining operation, produced and sold 51.64 Mt and 56.67 Mt in 2019, 7% and 6% higher compared to 2018, respectively. Overburden removal from AI in 2019 reached 246.51 Mbcm, relatively flat y-o-y resulting in a strip ratio of 4.77x for the period. AI's strong operation was a result of its continuous efforts to achieve operational excellence, strong outputs from its contractors and the favorable weather condition throughout the year.

In 4Q19, AI produced 12.39 Mt and sold 13.56 Mt, both 9% lower compared to 4Q18. Total overburden removal in 4Q19 reached 56.54 Mbcm, 6% lower compared to 4Q18. Strip ratio for the quarter was 4.57x.

Balangan Coal Companies

Balangan Coal Companies produced 5 Mt of coal in 2019, a 6% increase from 4.70 Mt in 2018. Total overburden removal in 2019 was 15.44 Mbcm, which resulted in a strip ratio of 3.09x.

In 4Q19, Balangan Coal Companies produced 1.26 Mt, 2% lower compared to 4Q18. Total overburden removal in 4Q19 was 3.93 Mbcm, which resulted in a strip ratio of 3.12x.

Adaro MetCoal Companies (AMC)

In 2019, AMC produced 1.09 Mt of coal from its two concessions, Maruwai and Lahai. This production result was 7% higher compared to 2018. Total AMC coal sales in 2019 was 0.98 Mt, 15% higher y-o-y. Overburden removal in 2019 reached 8.36 Mbcm, 4% decline y-o-y and strip ratio in 2019 was 7.67x.

In 4Q19, AMC produced 0.16 Mt and sold 0.16 Mt of coal, flat and 23% higher compared to 4Q18, respectively. Overburden removal in 4Q19 was 1.18 Mbcm, and strip ratio for the period was 7.38x. AMC concluded production of semi-soft coking coal from Lahai and started production from Maruwai concession in 4Q19. AMC achieved

significant progress in the execution of Maruwai project and achieved operations readiness for 3 Mtpa mine development.

Maruwai produces medium-volatile hard coking coal of premium quality with ultra-low ash and phosphorus content. We have started to develop market awareness and customer base for Maruwai's coal product and the response so far has been positive. In 2019, AMC's coal was sold to customers in Japan, Indonesia, India, China and Europe.

Kestrel Coal Mine (Kestrel)

Kestrel recorded saleable coal production of 6.76 Mt in 2019, 42% growth y-o-y, in-line with its 2019 production guidance. Kestrel was also able to achieve a record run-of-mine (ROM) coal mining volume in underground mining. Total coal sales in 2019 was 6.55 Mt. The aforementioned production and sales data represent 100% interest where AE has 47.99% shareholding in Kestrel Coal Resources Pty. Ltd. which has 80% interest in Kestrel Coal Joint Venture.

Kestrel's coal sales in 2019 was mainly to key steel-producing countries in Asia, spearheaded by India. We expect saleable production volume in 2020 to be approximately 7.2 Mt.

ADARO SERVICES

PT Saptaindra Sejati (SIS)

In 2019, SIS recorded a 5% and 10% increase y-o-y in overburden removal and coal production volume to 230.99 Mbcm and 49.15 Mt as a result of higher volume from the Adaro Group. Overburden removal and coal production volume from Adaro Group were 57% and 84% of SIS's total volume in 2019, respectively.

In 4Q19, SIS recorded a 7% decline in overburden removal volume y-o-y to 56.24 Mbcm and 3% decline in coal production volume y-o-y to 12.07 Mt.

	Units	4Q19	3Q19	4Q19 vs 3Q19	4Q18	4Q19 vs 4Q18	FY19	FY18	FY19 vs FY18
Overburden Removal	Mbcm	56.24	66.89	-16%	60.32	-7%	230.99	220.52	5%
Coal Production	Mt	12.07	13.48	-10%	12.49	-3%	49.15	44.93	10%

ADARO LOGISTICS

PT Maritim Barito Perkasa (MBP)

In 2019, MBP's total coal barging volume increased 9% y-o-y to 51.24 Mt as a result of higher volume from the Adaro Group. Coal volume from Adaro Group accounted for 96% of MBP's total coal barged in 2019 and 96% in 4Q19.

	Units	4Q19	3Q19	4Q19 vs 3Q19	4Q18	4Q19 vs 4Q18	FY19	FY18	FY19 vs FY18
Coal barging	Mt	11.93	13.74	-13%	12.72	-6%	51.24	47.13	9%

ADARO POWER

PT Tanjung Power Indonesia (TPI), which owns a 2x100 MW power plant in Tanjung, South Kalimantan, successfully commenced commercial operation of its second unit (100 MW) in December 2019, following the commercial operation of its first 100 MW unit in September 2019. This achievement underscores Adaro Power's commitment in supporting the government's program to improve electrification ratio, especially in Kalimantan grid. Since achieving the commercial operation date of Unit 1 in September 2019, TPI continued its promising operations performance and reached 99.6% of actual Availability Factors (AF) on average, up to the end of December 2019. TPI's annual coal consumption is approximately 1 Mt all of which will be supplied by the Adaro Group from its nearby concessions.

Construction progress at PT Bhimasena Power Indonesia's 2x1,000 MW power plant in Batang, Central Java has reached 91.8% at the end of 2019. Meanwhile, PT Makmur Sejahtera Wisesa (MSW) also showed a decent operation performance of its 2x30 MW captive power plant in Tanjung, South Kalimantan, with average AF of 92.4%.

ADARO WATER

PT Adaro Tirta Mandiri (ATM) and PT Adhi Karya Tbk (ADHI) jointly formed PT Dumai Tirta Persada (DTP), of which ATM owns 49% while ADHI owns the remaining 51% of DTP's shares. DTP has signed a co-operation agreement with Perusahaan Daerah Air Minum (PDAM), the regional-owned drinking water company, for a water treatment facility located in Dumai, Riau. This project has a capacity to produce up to 450 liters per second and will cost about IDR400 billion under a build, own, operate and transfer scheme to PDAM. It is targeted to start operation by the end of 2020.

ATM's project in Kotawaringin Timur, Central Kalimantan through PT Adaro Tirta Mentaya (ATMe) is progressing well. From previous capacity of 100 liters per second, ATMe is currently completing its uprating facility to become 250 liter per second. ATMe will further reach the overall COD at 320 liter per second by June 2020.

HEALTH, SAFETY AND ENVIRONMENT (QHSE)

In 2019, our safety performance improved as we experienced eight lost time injuries (LTI) throughout Adaro Group's operations. We recorded lost time injury frequency rate (LTIFR) of 0.06 for 2019, an improvement from 0.13 in 2018. Severity rate in 2019 was 5.46, compared to 108.36 in 2018. Total man-hours worked in 2019 were 129,093,268, 9% higher compared to 2018.

We recorded zero fatality at Adaro Group in 2019. We are pleased with this achievement and will continue to work on improving our safety performance through the implementation of a group-wide safety program called Adaro Zero Accident Mindset (a-ZAM) at every business unit. A-ZAM is targeted to strengthen the safety culture in Adaro Group and minimize human error that may cause unwanted occupational health and safety hazard.

CORPORATE ACTIVITIES

PT Adaro Indonesia Received Gold PROPER Award



The Vice President of the Republic of Indonesia, Mr. Ma'ruf Amin, witnessed by the Minister of Environment and Forestry, Mrs. Siti Nurbaya Bakar (left), handed the Gold PROPER Award to the President Director of PT Adaro Energy Tbk, Mr. Garibaldi Thohir (right). The awarding ceremony took place in the Vice President's palace on 8 January 2020.

PT Adaro Indonesia received Gold PROPER Award from the Ministry of Environment and Forestry for the second time. The Gold PROPER Award is regarded as the highest standard in Indonesian environmental rehabilitation management and has been presented to companies with recognized exemplary compliance to sustainable environmental management practices.

PT Adaro Energy Tbk Awarded as the Most Tax-Friendly Corporate



The Minister of Finance of the Republic of Indonesia, Mrs. Sri Mulyani, handed the Most Tax-Friendly Corporate Award to Mr. Jul Seventia Tarigan, Head of Tax Division PT Adaro energy Tbk.

PT Adaro Energy Tbk received the Most Tax-Friendly Corporate Award at the Anugerah Tempo Country Contributor Award 2019. Tempo Data and Analysis Centre together with the Centre for Indonesia Taxation Analysis (CITA) analysed the financial statements of 632 companies over the period of 2016-2018. Nine companies, including AE, were named as having the most tax contribution to the country and were regarded as tax compliant companies and received the Most Tax-Friendly Corporate Award.

SHAREHOLDER INFORMATION

AE's share price closed at Rp1,555 at the end of 2019, 28% higher compared to the end of 2018. AE's market capitalization at the end of 2019 was US\$3.43 billion, down from US\$4.4 billion at the end of 2018. At the end of the year, total public shareholders were 36.17% out of AE's total shares. Of the public shareholders, 46% were domestic holders, an increase from 41% at the end of 2018, and the rest were foreign holders. Consensus rating for ADRO at the end of 2019 was 3.77, from 14 buys, 8 holds, & 4 sells.